

Message Text

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ACTION ARA-14

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C O N F I D E N T I A L SECTION 1 OF 2 HAVANA 0927

EO 11652: GDS
TAGS: PDEV ECON EFIS MILI ET SO CU
SUBJ: CUBAN REVENUES DERIVED FROM US TOURISM, FISHERIES,
AND FAMILY REMITTANCES

1. USINT HAS NOTED RECENT PRESS QUESTIONING AT DEPARTMENT AND WHITE HOUSE, IN CONNECTION WITH HORN OF AFRICA, REGARDING ECONOMIC BENEFITS DERIVED BY CUBANS BY WAY OF U.S. TOURISM, CUBAN FISHERIES IN U.S. FISHERY CONSERVATION ZONE, AND FAMILY REMITTANCES FROM U.S. SOME OF FOLLOWING DATA, ALBEIT INEXACT, MAY BE USEFUL IN THIS CONNECTION.

2. TOTAL HARD CURRENCY EARNINGS. ECONOMIC BENEFITS DESCRIBED BELOW MUST BE WEIGHED RELATIVE TO TOTAL 1978 CONVERTIBLE CURRENCY EARNINGS. BASED ON VERY ROUGH CALCULATIONS, IT IS EXTREMELY UNLIKELY THAT TOTAL 1978 CONVERTIBLE CURRENCY EARNINGS WILL BE BELOW 400 MILLION DOLLARS. (THIS IS "WORST CASE" FIGURE CALCULATING 280 MILLION DOLLARS FROM SUGAR-ISA QUOTA OF 2 MILLION TONS AT MINIMAL SEVEN CENTS PER POUND PRICE, 20 MILLION DOLLARS FROM NICKEL, 50 MILLION DOLLARS FROM TOBACCO AND 50 MILLION DOLLARS FROM FISH.)

3. TOURISM. AS INDICATED IN HAVANA 726, BASIC GROSS HARD CURRENCY GENERATED BY U.S. TOURISM IN CUBA THIS YEAR
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WILL AMOUNT TO NO MORE THAN 3.2 MILLION DOLLARS. GIVEN ANNUAL SIX FLIGHT LIMIT ON CUBANA AIRLINES CHARTERS (TWO OF WHICH HAVE ALREADY BEEN USED FOR LOW-INCOME TRANSPORT OF PUERTO RICAN ATHLETES), AIR REVENUES THROUGH CHARTER OPERATIONS WILL NOT EXCEED 90 THOUSAND DOLLARS (I.E., THREE ROUND TRIPS OF 150 PASSENGERS WITH REVENUES OF 190 DOLLARS PER PERSON RUND TRIP--SEE HAVANA 726), EVEN

IF 50 PERCENT OF U.S. TROUSISTS (I.E., 4000) USE CUBANA AIRLINES SCHEDULED SERVICE THROUGH THIRD COUNTRIES (A USAGE RATE PROBABLY FAR IN EXCESS OF REALITY), CUBANS WILL ONLY DREIVE ADDITIONAL MAXIMUM REVENUE OF 1.4 MILLION DOLLARS (WITH REVENUES CALCULATED AT 350 DOLLARS PER HEAD ROUND TRIP--SEE HAVANA 726). IF EACH TOURIST, IN ADDITION, SPENDS 150 DOLLARS ON SOUVENIRS AND EXTRA-TOUR (E.G., BAR) EXPENSES (A PROBABLE EXAGGERATION SINCE CUBAN DATA SHOW 50 TO 100 DOLLARS NON-TOUR EXPENDITURES PER PERSON), AN ADDITIONAL 1.2 MILLION DOLLARS WOULD BE PRODUCED. ADDITIONALLY, IF WE ESTIMATE THAT 1000 NON-TOURIST AMERICANS (E.G., BUSINESS DELEGATIONS) WILL VISIT CUBA AT PREMIUM PER CAPITA RATES OF 500 DOLLARS PER PERSON (PLUS 25 PERCENT COMMISSION FOR CUBATUR), CUBANS WOULD RECEIVE ANOTHER 625 THOUSAND DOLLARS. THUS, WE ESTIMATE THAT TOTAL GROSS REVENUE (NOT PROFITS) ASSOCIATED WITH AMERICAN TRAVEL TO CUBA IN 1978 WILL, AT THE OUTSIDE, NOT AMOUNT TO MORE THAN 6.51 MILLION DOLLARS. USING "WORST CASE" 400 MILLION DOLLAR CUBAN CONVERTIBLE CURRENCY EARNING FIGURE, U.S. TRAVEL REVENUE REPRESENTS ONLY 1.5 PERCENT OF TOTAL CUBAN HARD CURRENCY EARNINGS. (WITH REGARD TO GROWTH POSSIBILITIES, CUBANS FOR INTERNAL PLANNING PURPOSES, ARE ONLY ESTIMATING 10 TO 15 PERCENT ANNUAL U.S. TOURISM GROWTH IN 1979 AND 1980. REGARDING HOTEL INVESTMENT, FOREIGN TRADE ENTERPRISE CHARGED WITH MANAGING THIS INVESTMENT -ECIMACT - HAS INDICATED THAT MAJOR NEW PROJECTS SUCH AS CAYO SABINAL

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SEEM UNLIKELY TO REACH FUITION SOON AND THAT PLANS FOR NEW HOTEL CONSTRUCTION ARE STILL AT A VERY PRELIMINARY, EXPLORATORY STATE).

4. FISHERIES. AT PRESENT TIME, ALL OF CUBA'S FISH EXPORTS ARE TO HARD CUURRENCY AREA-BUT OF THESE EXPORTS (LOBSTERS, LOBSTER TAILS, SHRIMP, SHRIMP TAILS, TUNA, GROUPER, SWORD FISH, AND SHARK FINS - SEE 77 HAVANA 364), NONE, EXCEPT SHARK, ARE OR WILL BE ALLOCATED TO CUBA BY U.S. ALL TYPES OF FISH INCLUDED IN CUBA'S 9715 METRIC TON ATLANTIC QUOTA (MAINLYRED AND SILVER HAKE,OTHER FINFISH, AND SQUID) ARE USEDIN DOMESTIC CONSUMPTION (FYI CUBA'S TOTAL 1977 CATCH WAS OVER 200,000 METRIC TONS. (END FYI) EVEN IF WE ASSUME (PROBABLY FALSEFLY, SINCE CUBANS HAVE ALWAYS FISHED IN WHAT IS NOW U.S. CONSERVATION ZONE) THAT QUOTA IN U.S. WATERS WILL SUBSTITUTE FOR, RATHER THAN SUPPLEMENT, AN EQUAL SUM OF SALTED COD AND WHITEFISH CURRENTLY IMPORTED FROM SPAIN AND NORWAY, THIS WOULD PROBABLY NOT REALIZE SAVINGS OF MORE THAN 7 MILLION DOLLARS (I.E., IN 1975, SIXTY THOUSAND PLUS TONS OF FISH IMPORTS COST CUBA 31 MILLION PESOS). REGARDING SHARK FINS, WE HAVE NO PRECISE DATA BUT 1974 INFORMATION SETS CUBAN REVENUES

FROM NON-WHOLE FISH AND SHELLFISH CATCHES AS ABOUT 2.9 MILLION DOLLARS (THIS FIGURE PROBABLY ALSO INCLUDES VALUE OF OTHER PRODUCTS SUCH AS FROG LEGS, SPONGES, HAWKSBILL AND TORTOISE SHELLS). THUS, WE WOULD ESTIMATE POTENTIAL HARD CURRENCY GAIN FROM U.S. ZONE FISHERIES, AT MAXIMUM, AT 10 MILLION DOLLARS - ABOUT 2.5 PERCENT OF OUR "WORST CASE" TOTAL CONVERTIBLE CURRENCY EARNING FIGURE. IN REALITY, WE THINK HARD CURRENCY GAIN IS PROBABLY LESS SINCE, GIVEN HISTORICAL USE OF WATERS OFF U.S. AND HIGH PROTEIN REQUIREMENTS FOR CUBAN CONSUMPTION, WE DO NOT THINK THAT CATCH IN U.S. WATERS WILL REALLY HAVE MAJOR EFFECT IN REDUCING FISH IMPORTS.

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C O N F I D E N T I A L SECTION 2 OF 2 HAVANA 0927

5. FAMILY REMITTANCES. TREASURY DEPARTMENT REGULATIONS PERMIT A TRANSFER OF MAXIMUM OF 500 DOLLARS EVERY THREE MONTHS (2000 DOLLARS PER YEAR) BY U.S. RESIDENT OR SPOUSE TO CLOSE RELATIVES IN CUBA. CLOSE RELATIVES ARE DEFINED AS SPOUSE, CHILD, GRANDCHILD, PARENT, GRANDPARENT, UNCLE, AUNT, BROTHER, SISTER, NEPHEW, NIECE, OR SPOUSE, WIDOW, OR WIDOWER OF FOREGOING (STATE 7984). WHILE IT WOULD BE NECESSARY TO KNOW NUMBER, DISPOSABLE INCOME, AND PROPENSITY TO TRANSFER FUNDS OF U.S. RESIDENTS AND SPOUSES WITH "CLOSE RELATIVES" IN CUBA IN ORDER TO ESTIMATE POTENTIAL TRANSFERS, SOME OF FOLLOWING OBSERVATIONS ARE IN ORDER: A) THERE ARE NOW BELIEVED TO BE ABOUT 750,000 CUBANS IN U.S., BUT NUMBER OF POTENTIAL REMITTERS UNDER TREASURY REGULATIONS, IS DEFINED BY NUMBER OF MARRIED COUPLES PLUS SINGLE PEOPLE; B) NUMBER OF REMITTERS IS FURTHER REDUCED IF ACCOUNT IS TAKEN OF MINORS, THE ELDERLY (AVERAGE AGE OF CUBAN EXILES IS PURPORTEDLY 34 YEARS OLD AS AGAINST 28 YEARS OLD FOR U.S. POPULATION AS WHOLE), AND OF INDIVIDUALS WITH EXTREME

LOW INCOME (IN 1972, 15 PERCENT OF CUBANS IN U.S. REPORTEDLY RECEIVED AID FROM CUBAN REFUGEE PROGRAM. THIS IS MINIMAL FIGURE SINCE IT DOES NOT INCLUDE CUBANS WHO BECAME U.S. CITIZENS AND RECEIVED REGULAR STATE WELFARE BENEFITS); C) MANY IMMEDIATE RELATIVES WERE REMOVED FROM CUBA DURING 1965-72 VARADERO AIRLIFT WHICH, PURSUANT TO U.S.-CUBAN AGREEMENT, CONFIDENTIAL

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GAVE PREFERENCE TO PARENTS, SPOUSES, CHILDREN, AND BROTHERS AND SISTERS. OF THOSE WHO ARE ELIGIBLE, HOWEVER, EVERY FIVE HUNDRED REMITTERS, WHO ARE CAPABLE OF TRANSFERRING MAXIMUM AMOUNT PERMITTED, CAN CONTRIBUTE ONE MILLION DOLLARS TO CUBAN CONVERTIBLE CURRENCY EARNINGS. WHILE IT IS IMPOSSIBLE FOR US TO ESTIMATE FROM HAVANA WHAT MAGNITUDE OF FAMILY REMITTANCES WILL BE, IT IS CLEAR FROM BASIC NUMBERS INVOLVED THAT CONVERTIBLE CURRENCY EARNINGS FOR CUBA FROM FAMILY REMITTANCES COULD BE SIGNIFICANT.

6. CONCLUSION. HARD CURRENCY ECONOMIC BENEFITS PROVIDED BY U.S. TOURISM AND FISHERIES ARE MARGINAL. FAMILY REMITTANCES MIGHT POSSIBLY PROVIDE LARGER FUNDS, BUT PRIMARILY TO THE CONSUMPTION SECTOR WHERE THE REMITTANCES WOULD INCREASE LIQUIDITY AND EFFECTIVE DEMAND. (THE REMITTANCES MAY ALSO INCREASE INFLATIONARY PRESSURES AND ACCELERATE BLACK MARKET ACTIVITY.)
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